

City of Newton



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Mayor

# City of Newton, Massachusetts Community Preservation Committee

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## MEMORANDUM

TO: Honorable Board of Aldermen  
FROM: Community Preservation Committee  
DATE: April 5, 2006  
RE: **CPC Recommendation for CPA Funding - REVISED**

**PROJECT TITLE:** Covenant Residences  
**CPA CATEGORY:** Community Housing  
**RECOMMENDED CPA FUNDING:** \$1,207,825

### PROJECT DESCRIPTION:

The applicant, B'nai B'rith Housing New England, requests \$1,200,000 of CPA funds in support of community housing for low to moderate income homebuyers in Chestnut Hill. The properties, located at 27-35 Commonwealth Ave, consist of an existing 12-unit multi-family building and a new 44-unit building that will be constructed behind it. Fourteen of the project's 56 total units will be affordable, in perpetuity, to households with incomes at or below 80% of the area median income (AMI). Under MGL c.40B, the Developer must provide 11 affordable units in the new building. However, B'nai B'rith has agreed to provide three additional affordable units, including some in the existing building. The market rate units have an estimated price range of \$300,000 to \$430,000, which are very modest for condominiums in Newton.

The total CPA request is \$1,207,825, which includes \$1,200,000 for housing, \$7,650 for the Law Department and \$175 to register the legal documents. The following memorandum evaluates how the Covenant Residences application qualifies for CPA funding and comports with the Community Preservation Plan. Please see the attached report from the CPC's housing consultant for a detailed analysis of the Covenant Residences application and the revenue sharing proposal.

### FINDINGS/PROJECT EVALUATION

#### Community Preservation Act (MGL c.44B)

##### Community Housing

MGL c.44B §2 defines community housing as "low and moderate income housing for individuals and families . . ." Furthermore, §2 defines low income housing as "housing for those persons and families whose annual income is less than 80% of the area median income." and moderate income housing as "housing for those persons and families whose annual income is less than 100% AMI." In addition, §5(b)(2) provides that the CPC "shall make recommendations... for the ... creation of community housing..." This proposal complies with the requirements of MGL c.44B by providing 14 community housing units for homeownership to low income homebuyers in return for the creation of deed restricted housing units that are permanently affordable to households at or below 80% AMI.

#### Newton Community Preservation Plan

##### Overarching Goals

1. Contribute to the preservation of Newton's unique character, boost the vitality of the community and enhance the quality of life for its residents.	Yes
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2. Serve more than one CPA category.	No
3. Demonstrate the highest cost/benefit value relative to other proposals.	See below
4. Leverage other public and/or private funds.	Yes, see below
5. Preserve a resource or opportunity that would otherwise be lost.	Yes, see below
6. Show that a project is the most reasonable available option to achieve the objective.	Yes, see below
7. Demonstrate strong community support.	Yes, See below
8. Serve to equitably distribute CPA funds throughout the City.	Yes

Additional comments on selected goals:

Goal 3: The relative benefit for this project is creating 14 new units that are affordable to low to moderate income households. Covenant Residences provides a lower cost method to create new affordable home ownership opportunities than do other development projects. In terms of CPA cost per affordable housing unit, this project, at \$85,714 per unit, demonstrates a high cost/benefit value relative to other affordable housing proposals.

Goal 4: B'nai B'rith is planning to leverage a CPA funding commitment to make competitive a request for \$500,000 of funds from the Massachusetts Affordable Housing Trust Fund.

Goal 5: The prices of homes are currently at an all-time high in Newton. The City's affordable housing stock consists mostly of rental properties. The Covenant Residences project would add 14 new units of affordable homeownership opportunities for Newton. Without CPA funds, this project would not be feasible and either no affordable units would be built or much larger project, incongruent with neighborhood character, would be constructed.

Goal 6: At approximately \$85,714 per unit subsidy, the project is a low cost way to provide new options for low to moderate income people looking to purchase a home in the City. The City would gain affordable units and would help provide housing for people who want to own property in Newton, but cannot otherwise afford to do so.

Goal 7: The initial project proposal called for a building much larger than the current plan. After numerous meetings with local Aldermen and Chestnut Hill neighbors, the project was scaled back to better fit the site and context of the neighborhood. The Newton Housing Partnership, the League of Women Voters, the Chestnut Hill Association, the Friends of the Carriage Lane and CAN-DO support B'nai B'rith's application for CPA funding. At the public hearing for the application, upwards of forty individuals spoke on behalf of the Covenant Residences application and no opposition was expressed.

Goal 8: The FY06 applications include funding requests for projects in Nonantum, West Newton, Newtonville, Oak Hill, Newton Centre, Chestnut Hill, Newton Highlands, Auburndale, Newton Corner, Newton Upper Falls as well as citywide projects. The Covenant Residences are located in Chestnut Hill.

#### Community Housing Goals

1. Create community housing that is well-designed, of decent quality and based on sound planning principles, including development located near public transportation and in village districts.	Yes, see below
2. Address one or more of the City's priority housing needs, such as those articulated in the City's <i>Consolidated Plan</i> and <i>A Framework for Newton's Planning</i> .	Yes, see below
3. Keep new units affordable for the long term and in perpetuity where possible.	Yes, see below
4. Demonstrate that the amount of requested CPA funding, as well as the total public subsidy requested, is reasonable and is the minimum amount needed for feasibility for the affordable housing. For example, it may be reasonable to support a higher public subsidy to enable the creation of housing serving lower income groups.	Yes, see below
5. Show that the proposal is supported by housing agencies, such as the Newton Housing Partnership, leverages (or is not otherwise eligible for) other public funds and could not otherwise	See below

be economically feasible without CPA funds.	
6. Avoid displacement of current residents.	No, see below
7. Work in conjunction with other City funding mechanisms and build on existing programs, such as the First Time Homebuyer Program.	See below
8. Reuse previously developed sites (including remediated brownfields) for community housing to expand existing resources.	Yes, see below

Additional comments on selected goals:

Goal 1: Covenant Residences will be on Commonwealth Avenue, footsteps from the Boston College MBTA station. The project consists of a renovated brick building and a newly constructed wooden frame building behind it. Both the reuse of the brick building and the clustering of housing near public transit represent sound planning.

Goal 2: The creation of affordable homeownership opportunities for low income households is a priority need supported by the *Consolidated Plan*. Currently, the City has only 29 deed restricted affordable units available to low income homeowners. New housing unit creation will help the City reach the state mandate of 10% affordable housing stock under MGL c. 40B, keeping units affordable in the long term through deed restrictions, leveraging other public funds and using previously developed sites. The *Consolidated Plan* also cites the need for housing for moderate and middle income residents. The Covenant Residences plan contains modestly priced market-rate units. *A Framework for Newton's* Planning cites the need to protect the City's diverse housing stock and "make it possible for persons like our own children to live here."

Goal 3: All designated affordable units created with CPA funds would be preserved in perpetuity through deed restrictions.

Goal 4: Using CPA funds to support Covenant Residences would help address the City's need to provide additional affordable homeownership opportunities. At \$85,714 per unit, the CPA subsidy would be modest compared to other CPA funded housing projects. Newton will obtain nearly 50% more affordable homeownership opportunities by funding this application. Under MGL c. 40B, the applicant would be required to create 11 affordable units in the newly constructed building. The applicant has agreed to build these and to create additional affordable units in the existing building, adding 3 extra affordable units to the project.

Goal 5: The project is supported by the Newton Housing Partnership. B'nai B'rith plans to apply for additional funding from the Massachusetts Affordable Housing Trust Fund.

Goal 6: The existing multi-family structure at 27-29 Commonwealth Avenue would need to be vacated; however, units will be offered to existing tenants for purchase.

Goal 7: The Newton Homebuyer Assistance Program could help new homebuyers purchase a market-rate unit in the Covenant Residences development.

Goal 8: This site, which consists of two parcels, is already developed. The apartment building is located on the front parcel and a single-family house is located on the rear parcel. Affordable units would be created from existing market-rate rental units in 27-29 Commonwealth Avenue.

#### Community Housing Needs<sup>1</sup>

a) Affordable rental and homeownership opportunities for low-income families (serving families at or below 80% of the area median income)	Yes
b) Moderate income rental or homeownership housing units (serving families above 80% to 100% of area median income)	No
c) Community housing opportunities for individuals who live or work in Newton, have children in a Newton school or have an immediate family member living in Newton, in accordance with the City's local preference policy, fair housing laws and requirements of other funding sources	See below
d) Help Newton reach the state mandate of having 10% of its housing stock as affordable to those	Yes

<sup>1</sup> From the FY06 Community Preservation Plan, pp. 23-24.

Additional comments on selected needs:

c) Affordable units would be available to all individuals who meet the 80% AMI requirement and will not exclude the individuals described in "c." However, no preference is proposed.

### **CPC RECOMMENDATION**

The proposal is consistent with the CPA criteria and many of the Plan's goals, as outlined above. Therefore, the Community Preservation Committee voted unanimously<sup>2</sup>, to recommend funding this application. The Covenant Residences development would support the creation of new affordable homeownership opportunities by appropriating and transferring the requested \$1,207,825 to be expended under the direction and control of the Director of Planning and Development for the purposes of funding the Covenant Residences project as detailed in the application dated December 19, 2005, subject to the following conditions:

1. The Fund recipient, or its designee, shall submit to the CPC an initial project timeline and a status report on a quarterly basis that describes work that is complete, work remaining, expenditures and target completion date.
2. Prior to release of funds, the Developer will secure the other funding sources necessary for project feasibility.
3. Prior to release of funds, the Planning Director shall review and approve the final development budget.
4. Prior to release of funds, all necessary zoning relief shall be secured.
5. Prior to release of funds, the Planning Director shall review and approve final plans for the entire project.
6. The project's affordable units shall be distributed throughout each building.
7. Work shall commence no later than December 31, 2007 and shall be completed no later than December 31, 2008 or such other date(s) as may be approved in writing by the Planning Director. In the event of failure to meet the project start or completion dates as stated herein or as approved by the Planning Director and Development, any remaining funds in the project account shall be returned to the Newton CPA Fund.
8. The Developer shall enter into a legally binding covenant to return revenue to the Newton CPA Fund as detailed in the CPA Revenue Share Proposal (dated April 5, 2006) attached here.
9. The Developer shall provide sales data to the CPC on a monthly basis until the Newton CPA Fund receives a total of \$300,000 in revenue sharing or when 100% of the units are sold, whichever comes first.
10. The Covenant Residences condominium documents shall not restrict the ability of the Newton Housing Authority or its affiliates to purchase or lease units in the project so that they may be available to renters.
11. The Planning Director shall review and approve the condominium fees assessed on the project's affordable units.
12. Prior to occupancy, the Law Department shall work with the Developer to ensure 14 of the units at 27-35 Commonwealth Avenue shall be affordable to households with incomes at or below 80% of the area median in perpetuity and be bound by a permanent deed restriction pursuant to MGL Ch. 184, s. 31-33.
13. Promptly after substantial completion of project, the applicant shall submit to the Community Preservation Committee a final project development cost statement. If such final development costs are less than the development budget on which the CPC based its funding recommendation, then the CPC reserves the right to require the applicant to remit to the Newton Community Preservation Fund a share of such surplus.

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<sup>2</sup> Stern supported funding, but would like to see a greater revenue share percentage for the CPA.

**Covenant Residences on Commonwealth**  
27-35 Commonwealth Ave., Newton, MA

**CPA Revenue Share Proposal**

April 5, 2006

Project Sponsor: B'nai B'rith Housing New England (BBHNE)

Project Developer: Covenant Commonwealth Newton, Inc.

Project Description: 56 unit, one and two-bedroom mixed income condominium development, of which 14 units will be affordable to low and moderate income homebuyers.

Total CPA Request: \$1,200,000

Per unit CPA Request: \$85,714

Proposed Revenue Sharing: In recognition that Covenant Residences is a large project and BBHNE's CPA funding request is substantial, BBHNE has developed a Revenue Sharing Proposal for consideration.

Based upon construction lender requirements (MassHousing and private banks), BBHNE's budget is expected to have a 15% Developer Allowance, currently projected at \$2,607,089.

BBHNE has proposed the Developer Allowance be divided in the following order of priority:

- 1) \$500,000 reimbursement of overhead and related costs to Covenant Commonwealth Newton, Inc. (or its designee);
- 2) \$1,000,000 Developer's Fee to Covenant Commonwealth Newton, Inc. (or its designee);
- 3) \$600,000 divided 50%, to the Newton CPA Fund; and 50% to Covenant Commonwealth Newton, Inc. (or its designee), until the Newton CPA Fund has received a total of \$300,000;
- 4) \$507,089 Developer's Fee to Covenant Commonwealth Newton, Inc. (or its designee);
- 5) the balance, if any, to the Newton CPA Fund, which may be shared pro rata with other public lenders, if required by such lenders, provided that, the Newton CPA Fund share of any such balance shall be calculated based on the full \$1,200,000 CPA award without any reduction for any revenue sharing

Based on the proforma in the application and assuming there are no additional project costs, this example means the Newton CPA Fund will receive \$300,000 and the Developer would receive \$2,307,089, or 13.2% in overhead and fee.